

Questions and Answers for Local Jurisdiction Assistance Grant (LJAG) Program

Updated February 1, 2024

Category: Eligible Uses

- Q:** Can DCC clarify, “supplanting existing cannabis related funding?” Is it considered an ineligible expenditure to supplement funding for activities that a local jurisdiction has already budgeted and funded if the supplemental funding will be used to make those activities more robust?

A: Yes. Supplanting occurs when local government funding for an activity is reduced because grant funds are available to fund the same activity. Grant funds are not permitted to be used to replace local funds used to offer programs and services. Grant funds may be used to enhance or supplement existing local funds for program activities.

- Q:** Can the grant funds be used for the salaries of local jurisdiction staff processing cannabis permits, reviewing CEQA Notices of Exemption, or tracking permits in non-cannabis programs, e.g., Building and Fire Departments?

A: Yes, staff salaries may be an allowable use of grant funds, if state funds do not supplant funds. Supplanting occurs when local government funding for an activity is reduced because grant funds are available to fund the same activity. Grant funds are not permitted to be used to replace local funds used to offer programs and services. Grant funds may be used to enhance or supplement existing local funds for program activities.

- Q:** Can the grant funds be used for overtime for Building and Fire Plan engineers to expedite review of plans for cannabis permit applicants, or for Code Enforcement Inspectors to bring operators into compliance with building code requirements?

A: Yes, overtime may be an allowable use of grant funds, if state funds do not supplant funds. Supplanting occurs when local government funding for an activity is reduced because grant funds are available to fund the same activity. Grant funds are not permitted to be used to replace local funds used to offer programs and services.



Grant funds may be used to enhance or supplement existing local funds for program activities.

4. **Q:** For Salaries and Wages Specific Uses, can Grant Program funds be used for salary/wages on a position to coordinate a local cannabis equity program?

A: Yes. Salaries and wages are an allowable use of grant funds if state funds do not supplant funds, and if the funded position supports state provisional licensees in meeting the requirements for state annual licensure.

5. **Q:** Can the grant funds be used for IT-related services and other technical support services, such as digitizing records, and establishing and maintaining databases or other software for processing and tracking cannabis permit applications and licenses?

A: Yes. IT related services and other technical support services may be an allowable use of grant funds, if state funds do not supplant funds. Supplanting occurs when local government funding for an activity is reduced because grant funds are available to fund the same activity. Grant funds are not permitted to be used to replace local funds used to offer programs and services. Grant funds may be used to enhance or supplement existing local funds for program activities.

6. **Q:** Does of the prohibition against using grant funds for enforcement costs extend to inspections that local jurisdictions conduct while issuing a permit, such as a physical inspection of a location before issuing a permit?

A: No. Although these funds are not intended to be used for law enforcement unrelated to licensees' transition from provisional licensure to state annual licensure, they may be used to support that transition. For example, this may include inspections to establish licensees' compliance with code requirements required by local permitting requirements (and therefore required to achieve state annual licensure). Funds may not be used to supplant existing local expenditures.

7. **Q:** For Building and Land Construction Specific Uses, could an allowable use include building permit fees to make infrastructure improvements such as fire sprinklers for a processor premises?

A: Yes. Building permit fees are an allowable use of grant funds if the funds are to make infrastructure improvements that would assist in meeting the permitting



and/or other local authorization requirements necessary for the licensee to transition from a state provisional license to a state annual license.

8. **Q:** Is IT equipment (such as iPads or comparable tablets as well as GPS equipment) an allowable cost if they expedite the ability to complete field inspections necessary for issuing local cannabis permits, and/or streamline the CEQA review process for local cannabis permits? If these could ultimately serve other purposes as well such as enforcement or compliance, would these be allowed?

A: Yes. Equipment is an allowable use of funds, if demonstrated to further support state provisional licensees meeting state annual license requirements and there is no supplantation of funds. If the equipment is under \$5,000 the purchase may be categorized as supplies.

9. **Q:** Can the local jurisdiction use grant funds to contract out elements of environmental review required pursuant to CEQA?

A: Yes. Contracting elements of environmental reviews required by CEQA are an allowable use of grant funds, if the services being performed further support state provisional licensees meeting state annual license requirements.

10. **Q:** Are license and application fees an eligible use of funding?

A: No. Except for fees related to CEQA compliance and review, Item 1115-101-0001 of section 2.00 of the Budget Act of 2021, provision 5.(c), prohibits the use of grant funds for state or local commercial cannabis license or application fees.

11. **Q:** Can this funding be utilized to purchase or modify an office space for newly hired cannabis permitting program staff, i.e., cubicles, remodeling of existing areas, etc.?

A: No. Grant funds are not permitted to be used to replace (“supplant”) local funds used to offer programs and services, such as facilities that will be used past the term of the grant.

12. **Q:** Under allowable uses, is there a limit on funding for training?

A: No. There is no per se limit on the use of grant funds towards training needs. DCC will review the allocation request for trainings to determine if it is allowable under the grant program. The local jurisdiction must demonstrate that all trainings will assist



the local jurisdiction in transitioning licensees from state provisional license to state annual license.

13. **Q:** For jurisdictions that received additional funds due to having an established equity program, is the equity allocation to be exclusively used towards the transition of state equity provisional licenses or can the funds be utilized to support all state provisional licenses in that jurisdiction?

A: The funds can be utilized to support all state provisional licensees in the jurisdiction towards the transition to state annual licenses. The jurisdiction should show in its goals how the funds will be used to assist both equity and general provisional licensees.

14. **Q:** Can grant funds be used for a consultant to provide assistance to cannabis equity applicants transitioning from state provisional licenses to state annual licenses?

A: Yes. Consultant expenses may be an allowable use of grant funds, if state funds do not supplant local funds. Supplanting occurs when local government funding for an activity is reduced because grant funds are available to fund the same activity. Grant funds are not permitted to be used to replace local funds used to offer programs and services. Grant funds may be used to enhance or supplement existing local funds for program activities.

15. **Q:** Could grant funds be used for a contracted consultant to process and review work related to the local cannabis permitting program, such as the Board of Supervisors report for cannabis land use permits?

A: Yes. Contracted consultant services are an allowable use of grant funds if the expenditures support a state provisional licensee in meeting the requirements for state annual licensure and there is no supplantation of funds.

16. **Q:** Can the funds be used for more general equity program purposes, such as funding an incubator serving local equity licensees in ways that are unrelated to the transition from provisional licensure to annual licensure?

A: No. Grant funds are to be used to support state provisional licensees in meeting state annual license requirements.

Category: Administration

17. **Q:** Would it be possible for DCC to assist the local jurisdictions in understanding DCC’s annual licensure requirements and the technical distinctions DCC makes when determining whether to issue a state provisional or state annual license?

A: Yes. DCC works with local jurisdictions to explain the DCC’s process on state annual and provisional license requirements. DCC is available to meet with each local jurisdiction to provide technical assistance needed in this area. Please reach out to locals@cannabis.ca.gov.

18. **Q:** Can DCC define “direct” costs and “indirect/administrative” costs and provide examples of categories for each?

A: Yes. Below are definitions and examples for direct and indirect/administrative costs:

Direct Costs: are costs that can be identified specifically with a particular project or can be directly assigned to a project activity relatively easily with a high degree of accuracy. Direct costs include, but are not limited to:

- Compensation for employees who work directly on the project.
- Travel
- Equipment
- Supplies necessary for the project

Indirect costs (also known as “facilities and administrative costs”): are costs incurred for a common or joint objective that cannot be identified specifically with a particular project. Indirect costs include, but are not limited to:

- Compensation for executive officers
- Administrative and clerical staff
- Costs of operating and maintaining facilities
- General administration expenses (such as supplies that cannot be identified specifically with a particular project)
- Accounting and personnel services
- Depreciation
- Insurance

The salaries of administrative and clerical staff should normally be treated as indirect costs. However, direct charging of these costs may be appropriate where all the following conditions are met:

- Administrative or clerical services are integral to the project or activity.
- Costs involved can be specifically identified with the project or activity.
- Such costs are explicitly included in the approved budget.
- The costs are also not recovered as indirect costs.

As always, supplantation of grant funds is not permissible. Supplanting occurs when local government funding for an activity is reduced because grant funds are available to fund the same activity. Grant funds are not permitted to be used to replace local funds used to offer programs and services. Grant funds may be used to enhance or supplement existing local funds for program activities.

DCC will guide and assist jurisdictions that request guidance from DCC regarding their grant agreement. Please contact the Office of Grant Management at grants@cannabis.ca.gov for further assistance.

19. **Q:** Where can I access requirements for state annual licensure?

A: State annual license requirements are found under section 15002 et seq. of DCC's regulations. Current regulations can be found [here on DCC's website](#).

Category: Application

20. **Q:** The draft guidelines state that salaries and wages would be an allowable use of grant funding if "supported with adequate documentation." What does DCC consider "adequate documentation"?

A: Adequate documentation is documentation that shows that the local jurisdiction will not be supplanting existing positions, and also demonstrates how that position will support licensees' transition from state provisional licensure into state annual licensure. This may include the following: signed activity reports including the number of hours allocated to the grant, payroll register documenting the name of each employee charged to the grant, and copies of cancelled checks or other proof of payments (e.g., direct deposits). All invoices for fringe benefits charged to the grant and paid to the provider of the services (e.g., medical, dental, workers compensation).

21. **Q:** Where can I find the Biannual Report Template Form referenced in the Grant Guidelines?

A: The Biannual Report Template Form for the LJAG program can be found [here on DCC's website](#). It can also be found in the Grant Guidelines as Attachments 1-3.

Category: General Grant Program

22. **Q:** When are progress reports to be submitted to DCC from the local jurisdictions?

A: A progress report (also called a “biannual report”) with an updated budget worksheet and supporting documents are necessary and required biannually, every February and August to comply with the requirements under Item [1115-101-0001 of section 2.00 of the Budget Act of 2021](#).

23. **Q:** Can grant funds be used to support new applicants for state licensure?

A: The grant funds are to be used to support the transition from state provisional licensure to state annual licensure. New applicants for annual licensure are not eligible for assistance under this grant.

Except as provided under [Senate Bill 51](#) (regarding local equity applicants engaged in retailer activities), the deadline to apply for a new state provisional license has now passed.

24. **Q:** The draft guidelines reference CEQA compliance throughout as the main concern as to why state provisional licensees are not obtaining state annual licenses. Are these grant funds supposed to be spent by the City, County, or City and County solely on achieving CEQA compliance and no other state annual licensing requirements?

A: The LJAG grant funds need not be used solely to achieve CEQA compliance. The purpose of the LJAG funds is to provide funding to local jurisdictions with commercial cannabis licensees needing the greatest assistance in transitioning from state provisional license to state annual license. CEQA compliance is often an important aspect of the transition from provisional licensure to state licensure, but it is not the only aspect of that transition.

25. **Q:** Is the Grant Program Funding pooled into a lump-sum amount along with the Additional Funding Due to an Equity Program?

A: No. 80% of the awarded funds was disbursed upon execution of the Grant Agreement. The remaining 20% will be disbursed in early 2024 to local jurisdictions that have demonstrated an allowable and reasonable need for the funding. The grant program funding and additional funding due to an equity program will be pooled into the total awarded amount.

26. **Q:** What is the date in which grant funds must be expended?

A: The grant funds must be expended by March 31, 2025.

27. **Q:** Can Local Jurisdictions create an application process for operators to receive pass-through funding and if so, what are the requirements?

A: DCC expects local jurisdictions to ensure that disbursed funds are used only for allowable costs and are otherwise expended and accounted for in a manner that is consistent with the requirements of the grant program. Pass-through funding, like all grant funding, should adhere to all requirements imposed by the LJAG program.

28. **Q:** Can changes to a local jurisdiction's goals or grant-related budget be made outside of the grant agreement?

A: No. Changes to goals, intended outcomes and budget line items listed in the agreement must be made through an amendment to the grant agreement. An amendment can be requested by a local jurisdiction at any time, by submitting an Amendment Request to DCC.

29. **Q:** Should the Biannual Report Budget Form include new or updated budget line items for changes that are not approved in the executed grant agreement?

A: No. The Biannual Report Budget Form should only contain the same line items listed in the executed grant agreement. The local jurisdiction would be required to submit an amendment request to modify expenditures that are not in the grant agreement.

30. **Q:** What expenditure documentation is the local jurisdiction required to provide DCC?
A: The information can be found on the Biannual Report Template Form ([DCC-2615 and DCC-2637 can be found here](#)).

31. **Q:** Can a Local Jurisdiction that received LJAG Equity funding use these funds for GO-Biz Equity goals?

A: No. LJAG grant funds should not supplant any existing expenditures, including expenditures supported by another state grant. LJAG funds can be used to support equity provisional licensees (both locally verified, or state verified) in meeting the requirements for state annual licensure.

32. **Q:** Will DCC require that LJAG grantees continue to report their local permitting and state licensing data during each biannual reporting period?

A: No. The DCC will no longer require grantees to report their local permitting and state licensing data starting with the February 2024 biannual report. However, grantees will still be required to report their equity metrics as part of its biannual report.

DISTRIBUTION

To all grantees awarded funds by DCC pursuant to the LJAG Program.

If you have questions or need further information, please contact DCC Office of Grant Management at grants@cannabis.ca.gov.

The Department of Cannabis Control (DCC) licenses and regulates commercial cannabis activity within California. To learn more about the California cannabis market, state licenses or laws, visit cannabis.ca.gov. Email questions to info@cannabis.ca.gov or call 1-844-61-CA-DCC (1-844-612-2322).